



DERBY CITY COUNCIL

COUNCIL CABINET 15 March 2011

Report of the Strategic Director of Adults,
Health and Housing

ITEM 10

DERBY HOMES CONTRACT RENEWAL

SUMMARY

- 1.1 Since April 2002, Council housing in Derby has been managed on behalf of the Council by its Arms Length Management Organisation – Derby Homes.
- 1.2 Derby Homes' contract with the Council expires in April 2012 and the Council needs to consider whether or not to renew the contract.
- 1.3 At the November 2010 Cabinet meeting it was agreed to renew the contract for ten years, subject to testing the views of tenants.
- 1.4 A consultation exercise was carried out which involved sending a questionnaire to all tenants asking for their views on whether they supported the renewal of the contract.
- 1.5 90% of those who expressed an opinion were in favour of Derby Homes' contract being renewed.

RECOMMENDATION

- 2.1 To renew Derby Homes contract for a further ten years with a five year break clause period build in.
- 2.2 To delegate authority to the Strategic Director of Adults, Health and Housing in consultation with the Cabinet member for Housing and Advice Services to finalise and approve the Management Agreement.

REASONS FOR RECOMMENDATION

- 3.1 Cabinet had at their meeting in November 2010 given approval in principle for the contract to be renewed if there was a positive response to the consultation exercise. Tenants voted overwhelmingly to renew the contract with Derby Homes.
- 3.2 To enable the Strategic Director of Adults, Health and Housing to give detailed consideration to the terms and conditions included in the Management Agreement which are still to be finalised.

SUPPORTING INFORMATION

- 4.1 Since April 2002, Council housing in Derby has been managed on behalf of the Council by its Arms Length Management Organisation – Derby Homes.
- 4.2 The Management Agreement between the Council and Derby Homes was initially for five years and, in 2007, it was renewed for a further five years.
- 4.3 Derby Homes' current Management Agreement for the management of Council dwellings expires in April 2012, and Cabinet considered whether or not to renew the contract at their November 2010 meeting.
- 4.4 At that meeting it was agreed in principle to renew the contract for a further ten years, subject to testing the views of tenants.
- 4.5 An impartial consultation exercise was carried out by Derby City Council during December 2010 to January 2011. This exercise involved sending a questionnaire to all tenants asking for their views on whether they supported the renewal of the contract. A total of 1070 tenants responded.
- 4.6 90% of those who expressed an opinion were in favour of Derby Homes' contract being renewed. 9% disagreed and 1% did not express an opinion.

OTHER OPTIONS CONSIDERED

- 5.1 The decision in principle to renew the contract was made at the previous Cabinet meeting in November 2010, subject to the views of the tenants being sought.

This report has been approved by the following officers:

Legal officer Financial officer Human Resources officer Service Director(s) Other(s)	Olu Idowu, Head of Legal Services - General Peter Morris, Group Accountant, Technical Finance Mark Menzies, Director, Housing and Advice Services Ian Fullagar, Head of Strategy and Performance
---	---

For more information contact: Background papers: List of appendices:	Sharon Hancock 01332 287236 e-mail:Sharon.hancock@derby.gov.uk None Appendix 1 – Implications
---	---

IMPLICATIONS

Financial and Value for Money

- 1.1 Derby Homes' management fee is currently budgeted at £11.6m for 2010/11 and £11.8m for 2011/12. These figures are before the identified savings that have been agreed to bring down the cost of the management fee by £1m a year over the next four years. All costs and savings apply exclusively to the HRA and cannot be applied to the Council's general fund.
- 1.2 The HRA reforms proposed for 2012/13 will have an impact on the Council's ability to finance HRA services including capital, repairs and the management fee into the future. It is anticipated at this stage that there will be a long term benefit, but there could be a short term pressure from the new arrangements. Any savings made from the current plans will help to sustain the HRA's financial position within that new settlement. The retention of Derby Homes as a entity separate from the Council may allow for greater flexibility within future housing policy, but this is not clear at this stage.

Legal

- 2.1 The current Services Agreement, at paragraph 61.2, states *"the Council shall be entitled (but without any obligation whatsoever) to extend the Term for one or more further periods of up to five years by giving notice to this effect to the Organisation no later than six calendar months before the date the Agreement would otherwise expire."*

Personnel

- 3.1 None directly arising.

Equalities Impact

- 4.1 Derby Homes provide an excellent management and repairs service to the Council's tenants, many of whom are vulnerable.

Health and Safety

- 5.1 None directly arising.

Environmental Sustainability

- 6.1 Derby Homes has previously signed up to the Council carbon commitment and their contribution will be included within the new Management Agreement where relevant.

Asset Management

- 7.1 Derby Homes manage on behalf of the Council approximately 13,000 properties. They have a detailed Asset Management strategy that aligns and supports the Council's priorities in protecting those assets.

Risk Management

- 8.1 Any risks that are identified as part of the contract renewal process will be resolved before the contract is renewed. However, where relevant risks will be included in the Management Agreement.

Corporate objectives and priorities for change

- 9.1 HC4: To deliver accessible, high quality, inclusive Housing and Advice services. Increasing the number of affordable homes delivered.

COD2: To deliver Value for money across all services.